

DRAFT REPORT

**Follow-On and Project Preparation:
Assistance to Czech Municipalities**

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Abstract

This report summarizes a key United States Agency for International Development (USAID) initiative to help Czech municipalities prepare priority infrastructure projects for financing. This initiative provides follow-on to three USAID-sponsored seminars undertaken in the Czech Republic in 1994 and 1995 that were designed to provide guidance to municipal officials in the areas of capital budgeting, investments in heating systems and investments in water and wastewater systems. Through this follow-on work, municipal officials have been provided several tools and techniques as well as technical and financial documentation to help them obtain a loan for an infrastructure project using a commercial loan. Six municipalities chose to use the technical and financial information that was provided to them by the evaluation team to seek a commercial loan.

Executive Summary

This report summarizes a key USAID initiative to help Czech municipalities prepare priority infrastructure projects for financing. This initiative meets USAID's strategic objective of supporting the transition to transparent and accountable governance and the empowerment of citizens through democratic processes.

This initiative provides follow-on to three USAID-sponsored seminars undertaken in the Czech Republic in 1994 and 1995 that were designed to provide guidance to municipal officials in the areas of capital budgeting, investments in heating systems and investments in water and wastewater systems. More than 400 Czech officials from the public and private sectors attended these seminars.

Once the seminars had been successfully completed this follow-on initiative was undertaken to help selected municipalities secure credit financing for priority infrastructure projects. The evaluation team assembled to work directly with the municipalities consisted of Urban Research of Prague, the Urban Institute of Washington, D.C., and two Czech consulting firms: SEVEN, a heating and energy consulting firm, and Water Resources Construction and Development (VVR), a water management and engineering firm.

The evaluation team developed a detailed methodology to select municipalities for participation in the follow-on initiative. The methodology consisted of an overall screening methodology, a project evaluation methodology and a municipal finance methodology. Once the methodologies were designed and agreed upon the follow-on process began. Initially, the evaluation team distributed a draft letter and questionnaire to 276 municipalities nationwide. The list of municipalities was compiled from attendance records at the three seminars as well as from a data base of municipalities that had previously been visited by USAID contractors.

Fifty-seven municipalities responded to the request, representing more than 1.0 million citizens, or more than 10 percent of the total Czech population. One hundred and fourteen projects with a total value of approximately Kc 4.9 billion were proposed.

Municipalities that responded were first coded and screened using the screening methodology. The evaluation team then undertook site visits to selected municipalities. Eleven municipalities were ultimately designated as suitable candidates and were selected for technical assistance. Nine cities were considered alternative candidates. The 11 prime candidate cities included: Decin, Kutna Hora, Luka nad Jihlavou, Jirkov, Horni Slavkov, Hostivice, Janovice, Semily, Prestice, Dubnany and Svitavy.

Municipal officials from the 11 cities confirmed their interest in participating in the technical assistance program. The evaluation team collected and analyzed technical and financial data, including project specific and municipal financial data from each of the 11 cities. The team conducted additional site visits and held meetings with Mayors, Deputy Mayors and Financial Officers. Draft and final reports were prepared for review by municipal officials. The team developed a computer based financial model and accompanying handbook to help re-format

municipal financial data and to separate the results of the capital and operating budgets within municipalities. The model helped municipalities determine their debt financing capacity by using financial performance indicators.

Results of the follow-on initiative were encouraging. Only one of the 11 cities, Kutna Hora, chose not to continue to participate in the follow-on initiative. Six municipalities chose to use the technical and financial information to seek a commercial loan for an infrastructure project. Several of the cities immediately took the information to a bank to begin the loan negotiation process. Several Mayors used the information to persuade their city councils of the need to pursue a project and seek commercial financing. Decin, Janovice, Dubnany, Semily, Svitavy and Hostivice were actively seeking a loan for their energy or water management projects. Three cities chose not to seek a commercial loan at this time. Luka was the only city out of the original 10 that was not in a financial position at the time to seek a loan.

Several conclusions can be reached from the follow-on initiative. Municipalities participating in the technical assistance process learned a significant amount of new information about their financial position and had the opportunity to learn how to make choices based on sound management and financial practices. They learned how to develop an investment strategy and prioritize key infrastructure investments. Municipal officials have become more self reliant and more entrepreneurial through this process, have experienced how the loan process works and have learned how they can use the process in the future to gain access to credit markets.

This initiative also helped develop indigenous consulting capacity in the Czech Republic. SEVEN and VVR have become more familiar with developing a competitive scope of work and budget for a potential assignment and have learned how to work collaboratively with other national and international consultants.

This follow-on initiative suggests that municipal officials, when they have the tools and techniques to fully analyze technical projects and understand the nature of debt, will actively seek commercial financing. Providing technical assistance to individual municipalities to prepare sound projects for credit financing can develop successful, replicable examples of a comprehensive approach to capital planning and investment that can be shared with other Czech municipalities.

Follow-on and Project Preparation: Assistance to Czech Municipalities

1 INTRODUCTION

1.1 Background

This report summarizes a key USAID initiative to help Czech municipalities prepare priority infrastructure projects for financing. During 1994 and 1995, USAID convened three separate series of seminars throughout the Czech Republic on the topics of capital financing and budgeting, investments in heating systems and investments in water and wastewater management. The objective of the seminars was to strengthen the capacities of local governments to manage their own heating and wastewater systems, to plan realistically and to develop a financially feasible program of current and planned infrastructure investments. More than 400 Czech officials from the public and private sectors attended the seminars.

1.2 Objective

Given the success of the seminar series and a strong interest on the part of the participants to implement solutions to their heating and water management prospects, USAID saw the opportunity to continue working with interested municipalities to help them finance priority infrastructure projects with a commercial loan. The objective of this follow-on activity was to identify municipalities interested in financing a priority infrastructure project, analyze proposed projects (both technically and financially) and provide assistance to selected municipalities to help them prepare the necessary loan documentation.

1.3 Organization of This Report

This report documents the methodology used to undertake the follow-on assistance. It presents the results of the analysis as well as key conclusions. The report charts the process undertaken from the initiation of the seminars through the screening and selection of selected municipalities for follow-on assistance to the actual assistance provided to municipalities in obtaining a loan.

By carefully documenting the process and methodology, this same type of initiative can be replicated elsewhere in the Czech Republic. By helping municipalities obtain financing for priority projects, this initiative supports USAID's overall objective of establishing a municipal credit financing system in the Czech Republic.

2 SEMINARS

Three series of seminars were held during 1994 and 1995. Each series is briefly summarized below.

2.1 Municipal Finance Seminars

The first series of seminars, on municipal finance, was held in January 1995. The seminars included discussions on municipal infrastructure, project preparation and the role of debt in stable capital financing. Three separate seminars were held: two in Prague and one in Brno. A total of 58 individuals attended the municipal finance seminars including representatives from the municipal sector, the private sector (e.g., consulting firms) and Czech banks. Speakers at the seminars included key staff from the Urban Institute and Urban Research. A seminar outline and breakdown of participants are included in Attachment A.

2.2 Heating Seminars

A second series of six seminars, entitled Capital Planning for Municipal Heating, was held during March and April 1995 in Prague, Most, Plzen, Brno, Olomuc and Ostrava. The seminars were organized and presented by SEVEN, the Czech energy consulting firm, with the assistance of the Urban Institute and Urban Research. A total of 139 participants attended the seminars, including Mayors, Deputy Mayors, District Officials, and representatives of municipal heating companies and Czech banks. A breakdown of seminar participants is included in Attachment A.

2.3 Water Management Seminars

A third series of six seminars was held during May and June 1995. The title of the seminar series was Capital Investment and Management in Water and Wastewater Systems. Topics included technical, financial and managerial aspects of water management. Seminars were held in Jihlava, Liberec, Prague, Ceske Budejovice, Ostrava and Olomuc. Seminars were organized and presented by Water Resources Development and Construction (VVR), the Prague-based water management consulting firm, and consultants for the Urban Institute and Urban Research. A total of 221 participants attended this series of seminars. Participants included municipal officials and representatives of water and wastewater management and operating companies. A breakdown of seminar participants is included in Attachment A.

3 METHODOLOGY

3.1 Introduction

Once the seminars had been completed and the evaluations of each analyzed, USAID decided to undertake a follow-on activity in conjunction with the Urban Institute and Urban Research and to continue to work with seminar participants who were anxious to finance a priority capital improvement.

A series of tasks and subtasks were designed and implemented over an eight month period to carry out the follow-on activities. This series of tasks culminated in helping selected municipalities obtain a commercial loan (or any other loan that required a repayment in order to finance an infrastructure project such as a heating or water management system). The greatest targets of

opportunity were those municipalities who participated in one or more of the seminar series.

3.2 Evaluation Team

To undertake this follow-on work, an evaluation team consisting of technical and financial experts was assembled. The team comprised key staff and consultants with expertise in municipal and project finance, water management and energy management from the Urban Institute of Washington, D.C., Urban Research of Prague, and two Czech consulting firms: VVR and SEVEN. The evaluation team developed methodologies, conducted site visits and analyzed technical and financial data pertinent to selected municipalities throughout the Czech Republic.

3.3 Design Methodologies

Three distinct methodologies were designed to select the municipalities that would receive help in securing the necessary financing. These methodologies included the Overall Screening Methodology and two subsets, the Project Evaluation Methodology and the Municipal Finance Methodology.

The Screening Methodology outlined the overall process the evaluation team used to implement the follow-on activities. The methodology was designed to help the evaluation team identify the technical requirements as well as the project specific and municipal financial conditions necessary to evaluate whether a municipality was a candidate for assistance.

This screening methodology identified four phases of evaluation: preliminary screening, detailed screening, assistance with the loan application and advisory services during the loan negotiation. For each evaluation phase, the methodology described the screening criteria that would be used to identify potential candidates, the resources required to undertake the screening, and the type of contact (site visit, telephone, fax, etc.) that would be required to communicate with each municipality. A copy of the Screening Methodology is included in Attachment B.

The Project Evaluation Methodology was designed to assess the creditworthiness of a potential infrastructure project. The methodology identified four components of a project that need to be examined: the ownership and management structure of the project, legal and security protections for lenders, project financial performance and projections and the relationship of the project to the municipality's current asset base and capital improvement plan. A copy of the Project Evaluation Methodology is included in Attachment B.

The Municipal Finance Methodology was prepared to evaluate the capacity of a particular municipality to borrow capital from a commercial bank in order to finance an infrastructure project. The methodology included three steps: the collection of historical financial data for the period 1990-1995; the projection of revenues, expenditures and debt service for the period 1995-2000 and an analysis of the municipality's new capital financial potential, the amount projected as available for recommended projects. The methodology also identified the potential impact of capital outlays on the local tax structure. A copy of the Municipal Finance Methodology is included in Attachment B.

4 THE SCREENING PROCESS

4.1 Preliminary Screening

The evaluation team undertook a series of initiatives to screen potential municipal candidates for financing. Initially, the team prepared a draft letter and questionnaire. The letter described the technical assistance process, solicited Czech municipalities' interest in participating in the finance activity and requested basic information about any projects the municipality wished to finance.

Once USAID approved the letter (see Attachment C for a copy of the letter and questionnaire), it was translated into Czech and distributed to approximately 276 municipalities nationwide. The mailing list was compiled from attendance records at the three seminars as well as from a list of municipalities that had previously been visited by USAID contractors. All letters were distributed during August 1995. The Union of Towns and Cities (UTC) was also provided with a copy of the letter, which was ultimately published in the September edition of the UTC newsletter.

The evaluation team maintained detailed records of responses received. By early September, a total of 42 municipalities had responded and had submitted approximately fifty different projects with a total value of Kc 3,973 billion. Responses were sorted by type and size of project with intervals of:

- 0-10 million Kc
- 10-100 million Kc
- > 100 million Kc

These criteria enabled the evaluation team to exclude projects not eligible for MUFIS lending and/or incompatible with the ~~A~~Housing Related Municipal Criteria.®

During September, the evaluation team conducted preliminary site visits to nine municipalities which met the minimal standards identified in the preliminary technical and financial screening criteria. These cities, including Semily, Praha 9, Louny, Velke Mezirici, Luka Nad Jihlavou, Hostivice, Praha 1, Decin and Sedlcany, were chosen to test the validity of the screening methodology. Of the nine cities, five were recommended by the evaluation team for further, more detailed screening. Four of the cities were excluded (Prague 9, Louny, Velke Mezirici and Prague 1) following the site visit. Cities which were excluded were found not to have met the original screening criteria based on data collected during the site visits.

By October 1, 1995, a total of 55 responses had been received. The 55 municipalities accounted for more than 1.0 million residents, or more than 10 percent of the total Czech population. The responses were nearly evenly divided between Moravia and Bohemia. The 55 municipalities submitted a total of 108 projects, representing approximately Kc 4,646 billion.

As of October 16, 1995, a total of 57 responses had been received. One hundred and fourteen proposed projects with a total estimated value of Kc 4,905 billion had been identified. Attachment

D provides detailed information about the responses received as of October 16, 1995. Responses are categorized by region, population size, estimated cost of project, and type of project. A map showing the location of each of the 57 municipalities is also included.

More detailed screening, evaluation and analysis occurred during October. Municipalities were screened by type of project, staging of project, preliminary review of the project's financing and a preliminary review of the municipality's budget. The municipality's clear understanding of the role of the technical assistance was also considered an essential element in the screening process.

Cities were coded by the above-noted categories. The evaluation team undertook site visits to two additional cities, Chomotuv and Litvinov. By October, 11 site visits had been completed. The 57 municipalities were contacted by telephone, mail or fax to verify information received by the evaluation team.

Given the evaluation criteria, a total of 37 municipalities were eliminated from further consideration. Three municipalities were eliminated because of the type of project they were considering (they were not defined as municipal infrastructure projects), 18 were eliminated because they were not in the detailed design stage of the project (the project had not been thoroughly thought through by the municipality), four were eliminated due to the lack of a plan to finance their projects, two were eliminated because of problems with their municipal budget (current expenditures were higher than recurring revenues) and 10 were eliminated due to their lack of a clear understanding of the role of the technical assistance process.

The remaining 20 municipalities were divided into two distinct groups: **A**Prime Candidates, the 11 municipalities believed to be suitable candidates for immediate technical assistance, and **A** Alternative Candidates, the municipalities that had not yet finalized their project designs but met all other appropriate criteria.

APrime Candidates included Kutna Hora, Luka nad Jihlavou, Horni Slavkov, Jirkov, Hostivice, Janovice, Semily, Decin, Prestice, Dubnany and Svitavy. For a more detailed discussion of these 11 municipalities see the tables presented in Attachment E. These tables list the name and location of the municipality, total municipal revenues, the type of infrastructure project and the estimated cost of the project. The total estimated project costs for these 11 municipalities were nearly Kc 1.0 billion.

During November 1995, the evaluation team contacted each of the 57 municipalities that had answered the initial mailing for technical assistance. The team distributed three different letters describing the results of the screening process: (1) one set of letters was sent to the 11 municipalities selected for immediate technical assistance, (2) the second set of letters was sent to the nine alternative candidate cities and (3) the third set of letters was sent to the remaining 37 municipalities who were not considered appropriate candidates for technical assistance.

4.2 Detailed Screening

Municipal officials from the 11 municipalities confirmed their interest in participating in the

technical assistance program. Detailed data collection subsequently began in November.

The evaluation team initially conducted site visits to five cities: Semily, Hostivice, Jirkov, Horní Slavkov and Přestice. Mayors, Deputy Mayors and Directors of Finance were the target audience within each municipality. The evaluation team broke into two groups during each site visit: one group assessed municipal budgets while the other group assessed the technical and financial feasibility of each of the infrastructure projects.

Prior to each site visit, the evaluation team assembled two tables. The two tables were entitled: **A Select Indicators of Municipal Budgets** and **B Preparing Municipal Infrastructure Projects**. The two tables summarized basic socioeconomic, budgetary and project specific data for each municipality. The tables provided the evaluation team members with a working knowledge of local conditions.

The evaluation team also requested detailed financial data using Czech accounting forms Uc 1-12 and ROPO 3-02 in advance of each site visit. This information was analyzed in detail and assembled into tables.

4.3 Agreements with Czech Consulting Firms

To evaluate the technical details of various heating and water management projects submitted by the 11 municipalities, Urban Research and the Urban Institute retained the services of two Czech consulting firms, SEVEN and VVR, to help them with the evaluation.

SEVEN is a Prague-based energy management consulting firm that provides consulting services to municipal governments in the area of heating distribution systems. VVR is a Prague-based environmental engineering company that provides technical consulting services to municipal and district governments in water and wastewater management.

Contracts were negotiated with both SEVEN and VVR. Each firm was asked to provide a technical representative to join the evaluation team. SEVEN was assigned the task of evaluating four heating projects in Decín, Janovice, Jirkov and Horní Slavkov. VVR was asked to evaluate the feasibility of seven water management projects in Hostivice, Luka, Janovice, Jirkov, Dubnany, Přestice and Semily. Each company was asked to conduct a site visit, analyze the technical feasibility of each project and prepare a final report.

4.4 Technical Evaluation

During December 1995 the evaluation team visited Kutná Hora, Luka nad Jihlavou, Janovice, Dubnany, Svitavy and Decín. Background material for each municipality was prepared for the evaluation team prior to their visits. It was during this visit to Kutná Hora that municipal officials notified the evaluation team that they were no longer interested in participating in the technical assistance program. Kutná Hora was the only city that chose not to participate.

Municipal financial data continued to be analyzed during this time as part of the Level II Detailed

Screening Process. Information was gathered from telephone conversations, faxes, site visits and meetings with the Ministry of Finance (MOF).

A computer-based spreadsheet was developed to help format municipal financial data. The format was different from the format being used by the MOF and the municipalities (Accounting form Uc 1-12, ROPO) and therefore resulted in the need for significant additional analytical work. Data received from each municipality were reorganized so that the evaluation team could look separately at the results of the capital and operating budgets and look at recurring and non-recurring revenues. A series of indicators that help to analyze annual results and year to year trends in the operating revenues and expenditures were also developed.

Additional financial and non-financial data needed to be collected from each of the municipalities. The financial model that was developed provided municipalities with a method for assessing their debt carrying capacity by using financial performance indicators. Included with the model was a handbook showing each municipality how to apply the specific methodology developed by the evaluation team.

5 DELIVERABLES

During the first quarter of 1996, the evaluation team continued to work directly with each of the 10 municipalities. They analyzed all of the technical and financial data that had been collected to determine if any of the municipalities were capable of financing infrastructure projects with a commercial loan.

The consulting firms delivered draft feasibility reports (including technical and financial analyses) to each municipality in January 1996. These reports provided the basis for further discussions with each of the municipalities later in February and March. These visits provided an opportunity for the evaluation team to discuss the preliminary findings with each city and to verify the data. Additional site visits to each city were conducted in February and March. The evaluation team reviewed draft reports with municipal officials, gathered new information, made corrections to existing data and eliminated misinformation. New and up-to-date information was incorporated into the already extensive data base on each municipality.

Final reports, both technical and financial, were distributed to each of the 10 municipalities in March and April. The financial reports described the municipality's financial condition and presented the evaluation team's conclusions regarding the municipality's ability to finance priority infrastructure projects by borrowing funds.

Each financial report consisted of five tables and one figure. Table 1 reviewed each of the financial indicators and explained how each is used. Table 2 analyzed the indicators applied specifically to each municipality. Table 3 displayed the actual values of all indicators, including computations of recurring and non-recurring revenues and operating and capital expenditures for each municipality during 1992-1995. Table 4 presented revenue and expenditure projections to the year 2000 for each municipality. Figure 1 presented the same information graphically. Table 5 showed actual data for 1992-1995 used in preparing the financial analyses.

The content and format of the technical reports varied depending on the projects being reviewed and whether SEVEN or VVR prepared the report. Reports prepared by SEVEN consisted of the following: project description, potential project financing, the current status of the project, an economic assessment of the draft proposal, an economic sensitivity analysis and a brief commentary on the feasibility of the project.

Reports prepared by VVR generally presented the following information: a brief characterization of the geographical area surrounding the project, a construction analysis, current investment preparations, a brief technical analysis, investment demands and possible finance mechanisms, construction time requirements and a summary evaluation of the project's technical feasibility.

The technical reports that each municipality received are listed below. An example of one financial feasibility report, one heating report and one water management report are provided in Attachment F.

Decin:	Replacement of Coal Fired Heating Plant with Gas Fired Co-Generation of Heat and Electricity
Janovice:	Water Main Project in Bystre Construction of a Gas Distribution Network
Dubnany:	Sewage Treatment Plant and Connection of Canalization Headers in the Hodonin District
Semily:	Canalization Study
Svitavy:	Canalization Study
Hostivice:	Renewal and Completion of the Water System
Jirkov:	Canalization in the Chomotov District
Prestice:	Canalization and Sewage Treatment Plant in Zerovice and Skocice
Luka:	Canalization and Sewage Treatment Plant in the Jihlava District
Horni Slavkov:	Central Heat Supply System Gasification

6 RESULTS OF THE ANALYSIS

Six municipalities chose to use the technical and financial information that was provided to them by the evaluation team to seek a commercial loan.

In Decin, where the largest and most advanced of the technical projects the team evaluated was located, municipal officials are seeking all possible avenues for co-financing their co-generation

project. Decin was considering issuing municipal bonds or seeking commercial capital. Using the information provided to them in this follow-on initiative, city officials sent 10 letters to 10 different financial institutions requesting information on their loan program. In the letters the city described the analysis that had been performed under the USAID project and described specific details of the energy project they wished to finance.

Janovice used the financial and technical analysis that was provided to them to negotiate a loan for their gas distribution project with the Ceska Sporitelna Bank. They expect to sign a loan for about Kc 7.0 million in the near future.

Dubnany has actively sought alternative means of financing their new wastewater treatment facility. They have applied for a subsidy from the State Environmental Fund to subsidize the project. If they do not receive that money they will seek a commercial loan of Kc 30.0 million. Using the technical and financial analyses provided to them, Dubnany officials have already had several conversations with Ceska Sporitelna. The Bank was quoting rates of 11.5 percent for 10 years.

Semily is in very good financial condition and, using the information provided to them by the evaluation team, has sought loan information from several commercial banks on their loan conditions. Semily's Mayor has been requested by the municipal assembly to give them several choices to finance their canalization project. (See Attachment G for a recent newspaper clipping from Semily on their desire to seek commercial financing).

Svitavy has a significant amount of experience with commercial borrowing, having recently taken out several loans from local banks for the construction of new housing in their town. Svitavy is in very good financial condition and will probably use the technical and financial information that the evaluation team provided to help finance their wastewater project. To date, the City Manager has sent letters to five banks requesting information on their loan conditions for the project.

Hostivice officials are involved in a large and complex water supply project for their town. The project is divided into two phases. Phase I is complete. Phase II must be completed within three years. Hostivice is in the position of having to borrow additional money (nearly Kc 30.0 million for two years) to complete Phase II. City officials have already sought advice from two banks using the information provided to them by the evaluation team. They are also seeking additional sources of funding for the project.

Jirkov is in a sound financial position and appears to have the option to borrow funds to finance their energy project in the village of Brezenec. However, with a need to pay off former construction loans and decide whether to provide electricity or gas to Brezenec, Jirkov may not borrow at this time. They will, however, use the information next year to finance the proposed energy project.

Prestice also finds itself in a sound financial position but will probably not proceed with the wastewater project at this time. There is no need to seek commercial financing. They are, however, seeking a commercial loan to provide cable television to their town.

Horni Slavkov is in a somewhat difficult financial position and has made the decision not to borrow from a commercial bank for their central heating supply project. Luka is in no financial condition to borrow funds at this time from commercial sources.

7 CONCLUSIONS

The evaluation team drew a number of conclusions from the experience of working directly with Czech municipalities to help them secure credit financing for priority infrastructure projects. Most of these experiences, including those linked to capital planning, infrastructure investment and debt management, can be replicated in other Czech municipalities.

Municipalities that participated in this process learned new information about their financial condition and their ability to provide services more efficiently and effectively. Because municipalities do not have the financial resources to address all their needs, through the financial analysis process they learned to make the best choices for their local citizens based on sound management practices. They learned how to develop an investment strategy and prioritize key investments.

Through this follow-on work, municipal officials have been provided several tools and techniques as well as technical and financial documentation to help them obtain a loan for an infrastructure project using a commercial loan. Municipalities have also received training on a newly developed computer program that helps them assess their debt financing capacity by using financial performance indicators. With this model, they have been provided the ability to seek ways to minimize their expenditures for individual projects and to increase the efficiency of these projects. They have also been provided with a Municipal Credit Financial Handbook, which shows them how to use the computer model and how the methodology can be applied to their local situation. The methodology addresses two basic questions:

\$ How much *can* a municipality borrow?

\$ How much *should* a municipality borrow?

Municipalities participating in this follow-on initiative have also had the opportunity to experience how the commercial loan process works and how they can use the process in the future to gain access to credit markets.

Municipal officials have also learned new skills in managing municipal infrastructure. They have learned the necessity of focusing on key strategic technical projects and analyzing their efficiency and effectiveness for the long term. Municipal officials can now ask how realistic and viable a new project can be from both from a technical and a financial perspective.

This follow-on activity has also helped develop indigenous consulting capacity. Two Czech consulting firms, SEVEN and VVR, learned the process of developing a competitive scope of work and budget to undertake a specific project for a municipality. As Czech professionals, they have gained the ability to work in a collaborative effort with other national and international

consultants to accomplish a specific task. Through this, they have also begun to expand their capacity to support effective local governments on a self-sustaining basis in the future.

ATTACHMENT A

Seminar Outlines and Breakdown of Participants

ATTACHMENT B

Methodologies

ATTACHMENT C

Letter and Questionnaire

ATTACHMENT D

**Responses Received
as of October 16, 1995**

ATTACHMENT E

Candidate Municipalities

ATTACHMENT F

Sample Technical Reports

ATTACHMENT G

Newspaper Article